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UNCLAS HARARE 001620

SIPDIS

STATE FOR AF/S
USDOC FOR AMANDA HILLIGAS
TREASURY FOR OREN WYCHE-SHAW
PASS USTR FLORIZELLE LISER
STATE PASS USAID FOR MARJORIE COPSON

SENSITIVE

1E. O. 12958: N/A
TAGS: ECON EAGR ETRD EINV PGOV ZI
SUBJECT: MANAGING A BUSINESS IN MUGABE'S SHADOW

Sensitive but unclassified. Not for Internet posting.

Summary and Firms Represented

11. (SBU) Seven prominent business leaders we recently assembled want the international community to provide Zimbabwe with balance-of-payments support. However, they differ in assessments of the country's progress at reforming its economy and attracting foreign investment.

12. (SBU) The Ambassador convened his first business roundtable Sept 22 with the new Confederation of Zimbabwe Industries (CZI) President and the local CEOs of six companies: manufacturer PG Industries, retailer OK, the Meikles Hotel, Barclays Bank, cotton-merchant Cottco, Murray & Roberts Construction.

CEOs Agree Zimbabwe Needs Capital Infusion

13. (SBU) The CZI and PG Industries representatives argued for the U.S. to reengage with Zimbabwe, which they define primarily as extending balance-of-payments (BOP) support. They urged the U.S. to recognize Reserve Bank (RBZ) Governor Gideon Gono's achievements to date and not "write off" Zimbabwe's business community. Without both BOP support and foreign investment, they speculated that Gono's reform efforts will progress only so far.

14. (SBU) The Cottco CEO took issue with his colleagues by posing a hypothetical question: If roundtable participants suddenly came into US\$ 1 million outside Zimbabwe, would they invest the funds abroad or transfer them into the country? Only the PG Industries CEO suggested he would invest part of the US\$ 1 million in Zimbabwe, underscoring - in the Cottco CEO's view - that Zimbabwe is uncompetitive as a foreign investment destination. The Cottco rep, a net exporter, complained that Zimbabwe has shot itself in the foot, enacting rigid foreign exchange controls and disregarding property rights. He and others argued for broad devaluation.

As Usual, Discussion Turns to Politics

15. (SBU) The Barclays CEO opined that the international community cares more about political than economic reform in Zimbabwe. It is impossible for Gono to impress the world with economic management, she argued, unless the country also becomes less repressive and more democratic. At this, the PG Industries CEO joked that he and other businessmen were cowards for steering clear of politics. The Murray & Roberts CEO wondered how much progress on democracy and civil liberties it would take to placate a skeptical international community. "What if next March's parliamentary elections were free and fair?" he asked rhetorically. The PG Industries CEO expressed hope that the International Monetary Fund (IMF) could extend to Zimbabwe a token loan next January, when the lending body will vote on the country's expulsion, in exchange for certain demands, such as a partial devaluation or float of the zimdollar.

Comment

16. (SBU) We believe the sentiments of our roundtable participants are representative of Zimbabwe's business community. They want a freer, more democratic Zimbabwe but are unwilling to put themselves or their firms at risk in order to fight for it. Rather, they struggle to keep afloat businesses that support thousands of workers and the remnants of this once-highflying economy. In sum, they hope for more flexibility from both the GOZ and the international community, but are largely bystanders to the process.

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